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chemical industry's future Page 10

Chemical &
Engineering

NEWS

November 23, 1981

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0511179C092 9 M AR5947SL 1
CONGRESSIONAL INFO SERV
4520 EAST WEST HWY SUITE 800
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Cover: Georgetown University in Washington, D.C. Photo by C&EN's Ernest L. Carpenter

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Books

- **"Dealing with Risk,"** edited by Richard F. Griffiths, presents seven essays by British authors on appraising and managing today's technological hazards. **Page 33**

ACS News

- **Compliance rate** with ACS Professional Employment Guidelines remains at the 43% level following latest CPR report of industry layoffs of chemists. **Page 36**
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COMPLEX TEXTILE TRADE TALKS BOGGED DOWN

Opening salvos were sounded last week at the final session of the Multifiber Arrangement (MFA) renegotiations in Geneva. Their reverberations will be felt around the world wherever fibers, textiles, and apparel industries are key components of local and international commerce.

The existing MFA terminates Dec. 31. Delegates and observers from some 60 countries, meeting at the General Agreement on Tariffs & Trade (GATT) headquarters, will have their work cut out for them to arrive at an acceptable formula in time for a new MFA to come into effect Jan. 1.

MFA, or the Arrangement Regarding International Trade in Textiles, to give its full title, operates under the auspices of GATT. It establishes the groundrules for bilateral arrangements that set quotas in textiles and garments between more than 40 producing and importing countries.

MFA's original objective was to "achieve... progressive liberalization of world trade in textile products." But it has since become an instrument of protection used by the developed industrialized countries to stem the rise of imports of relatively low-cost goods from many of the less-developed countries. Some of these, notably Hong Kong, South Korea, and Taiwan, have emerged as significant suppliers of textiles and clothing on world markets.

Negotiations toward MFA renewal have been in progress for the best part of a year. Strands of the debate are many and complex and closely interwoven.

Broadly, developing countries, ranging from Bangladesh to Taiwan, seek greater access to the large markets of the European Economic

Textiles, clothing imports up most in Western Europe

Millions of lb	EEC ^a	Japan	U.S.
1973	1.82	0.82	1.09
1974	2.39	0.76	0.93
1975	2.55	0.41	0.95
1976	3.19	0.50	1.29
1977	2.93	0.46	1.31
1978	3.14	0.76	1.57
1979	3.73	0.96	1.33
1980	3.83	0.82	1.43
% change, 1973 to 1980	110%	0%	31%

^a European Economic Community. Sources: Commission of the European Communities, Japanese Ministry of Finance, U.S. Department of Commerce

Community, the U.S., and elsewhere. Industrialized countries are striving to maintain jobs and local business in the face of increasing outside competition.

In addition, makers of man-made and natural fibers, and of auxiliary chemicals such as dyestuffs and finishing agents have a stake in the outcome of the discussions. Meanwhile, consumer groups are arguing that protectionism serves to keep retail prices higher than they might otherwise be.

The 10 EEC countries, which have a single collective voice at the Geneva talks, have been embroiled in an intensive debate as to what demands to bring to the negotiating table. Denmark, West Germany, and the Netherlands, who have been favoring a more liberal approach, seemingly have lost out to those seeking a hard-line attitude—France and the U.K., with the support of the others. Discussions in Brussels extended

into the early hours of the morning last Wednesday. But Horst-Günter Krenzler, head of the EEC delegation, was able to show up at the opening session of the Geneva discussions later the same day claiming that a mandate had been arrived at. The fact that the EEC now has an agreed position makes it possible for it to join fully in the negotiations.

The precise nature of the mandate was unclear at press time. But it is widely expected that one target the EEC hopes to achieve is to limit the annual growth in import quotas to around 1% in contrast to the theoretical 6%-per-year increase embodied in the current agreement. Preferential consideration might be given to those developing countries at the lower end of the scale of textile and garment producers, whereas cuts might be levied on the dominant suppliers like Hong Kong and Taiwan. And the level of imports into the EEC in 1980, a depressed year, might be used as a base on which to calculate future growth rates.

If the gulf between the developing-country delegates in Geneva, who seek a liberalization of import quotas, and the approach the EEC presumably will adopt isn't narrowed, it doesn't seem likely that the Dec. 18 deadline for reaching an agreement can be met.

On the other hand, there are those who share the view of Peter Murphy, the chief U.S. negotiator, that terms of MFA-3 should be set now, rather than continue deliberations into next year.

"The MFA [isn't] a perfect instrument," Murphy admits, "but it has worked reasonably well. We believe a continuation of that instrument offers the best approach available for the governments concerned to continue to manage trade in textiles and apparel in a reasonable manner. Our clear preference would be to change the MFA as little as possible."

A proposed draft protocol extending the MFA for a five-year term, instead of the present four years, that Murphy presented in Geneva last September, is widely considered as a document that provides a basis for fruitful discussion. It contains elements that should accommodate the concerns both of the EEC and of the developing countries. □

Net trade balance worse in U.S., most European countries

\$ Billions	Textiles		Clothing		Total	
	1980	1973	1980	1973	1980	1973
EEC ^a	\$ 0.78	\$ 1.97	\$ -6.12	\$ -0.89	\$ -5.34	\$ 1.08
France	-0.69	0.29	-0.33	0.45	-1.02	0.74
West Germany	-0.56	0.30	-5.46	-1.63	-6.02	-1.33
Italy	1.50	0.62	3.83	1.11	5.33	1.73
U.K.	-0.44	0.19	-0.98	-0.38	-1.42	-0.19
U.S.	1.25	-0.36	-5.29	-1.88	-4.04	-2.24
Japan	3.45	1.32	-1.03	-0.20	2.42	1.12

^a European Economic Community. Source: General Agreement on Tariffs & Trade

Immediate decontrol of natural gas unlikely

Faster decontrol of natural gas prices is politically unfeasible now because of controversy over its effects on inflation, unemployment

When President Reagan moved so quickly in January to remove all remaining price controls from crude oil, many thought it would not be long until the same action was proposed for the complex controls on natural gas. After months of speculation, however, a decision has been made to put off such action until sometime next year.

Decontrol of all gas prices has significant support, but the President probably is bowing to political realities. Sen. James A. McClure (R.-Idaho), chairman of the Senate Committee on Energy & Natural Resources, has said since January he does not want to take up gas decontrol until next year, and House minority leader Robert H. Michel (R.-Ill.) has said the House isn't going to

consider decontrol before adjournment this year. Rep. John D. Dingell (D.-Mich.), chairman of the House Committee on Energy & Commerce, also opposes consideration of decontrol, adding that the 1978 gradual decontrol law is working well. In addition, Senate Republican leader Howard H. Baker Jr. (R.-Tenn.) has told the President that Congress will not agree to any speedup of gas deregulation unless there is some sort of windfall profits tax added as was done with oil deregulation.

The focus of the debate is the National Gas Policy Act (NGPA) of 1978, hammered out after two years of struggle. But this law is considered badly flawed by many, and has not worked as planned. Under the law there are 20 categories of natural gas, including varieties of old interstate, old intrastate, new gas, and gas from certain wells deeper than 15,000 feet. Some of these are decontrolled now, some would be eligible for decontrol in 1985, and the rest, as much as 50%, would be under price controls indefinitely. The law, for instance, never decontrols "old" interstate gas, gas from old offshore leases, and new development wells under leases committed to interstate commerce as of 1977.

An analysis of NGPA and of the alternatives being considered by Congress recently has been released by the Department of Energy. It considers advantages and disadvantages of continuing with NGPA, extending price controls after 1985, and full decontrol of prices in 1982.

Unlike the relatively simple decontrol of crude oil, natural gas price controls are extremely complex. Involving three major business sectors—gas products, pipeline owners, and distributors—with low-cost, long-term contracts in the balance and hundreds of billions of dollars, the DOE report's assumptions have to be considered estimates at best. Still, the general conclusion is that natural gas prices in 1985 would be about the same if they were decontrolled next year or if the NGPA plans were followed for partial decontrol in 1985. Deciding to keep price controls after 1985 would hold prices down, the report finds, but at a high economic cost.



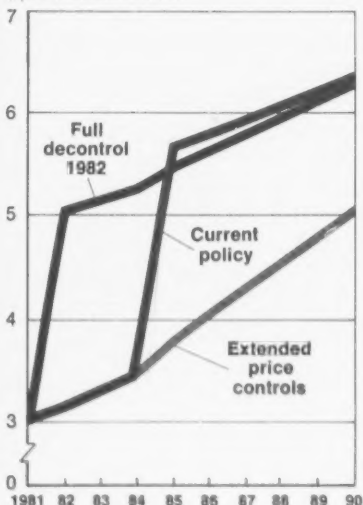
Edwards: no significant impact

One of the principal complaints about the gas price controls as currently set up is that they give the wrong kind of incentives to the gas producers and gas consumers. The high prices allowed for the deep-well gas have encouraged exploration for this hard-to-get fuel, but easier-to-find gas goes begging because producers don't get so high a return for it. Consumers, on the other hand, are encouraged to use more and more gas because the low price, held down by NGPA, makes gas a cheaper fuel than fuel oil or electricity, discouraging conservation.

Proponents of natural gas decontrol believe all these problems would be solved if the gas were allowed to find its own prices in the open market. The DOE report argues that, aside from a very brief drop in employment and gross national product, total decontrol would increase efficiency of energy source use in the U.S., saving about \$10 billion by 1985. It claims that accelerated decontrol would increase the supply of natural gas, resulting in more industrial use and a possible lowering of oil import levels. In all, demand would not rise—it eventually could drop—because prices would be higher, but supplies would rise as producers would be encouraged to find more gas. And Secretary of Energy James

Natural gas prices for industry will rise sharply

\$ per thousand cu ft



Source: Department of Energy

Federal Alert— new regulations

This listing covers noteworthy regulations appearing in the Federal Register from Oct. 5 to Oct. 30. Page numbers refer to those issues.

PROPOSED

Environmental Protection Agency—Proposes, with revision, regulations for stack heights to control air pollution; comments by Nov. 3 (Oct. 7, page 49814).

Seeks comments for advanced proposal on toxicity testing of fluoralkenes as recommended by Interagency Testing Committee; comments by Dec. 29 (Oct. 30, page 53704).

Transportation Department—Proposes Coast Guard rules to protect marine environment and safety for ocean thermal conversion facilities; comments by Nov. 23 (Oct. 5, page 49078).

FINAL

Drug Enforcement Agency—Lists chemical preparations and mixtures containing controlled substances exempted from provisions of Drug Abuse Prevention & Control Act; effective Dec. 28 (Oct. 29, page 53405).

Environmental Protection Agency—Redefines "source" under Clean Air Act as either entire plant or individual piece of equipment within plant; effective Oct. 14 (Oct. 14, page 50766).

Permits pesticides to be recommended for use other than those specifically on label as long as restrictions are still met; effective Oct. 22 (Oct. 22, page 51745).

International Trade Administration—Removes all quantitative restrictions on export of refined petroleum products; effective Oct. 2 (Oct. 6, page 49106).

Transportation Department—Amends rules to ease shipment of fluorinated hydrocarbons and removes obsolete reporting requirements; effective July 1, 1982 (Oct. 8, page 49883).

NOTICES

Consumer Product Safety Commission—Extends until Feb. 15, 1982, deadline for making decision on banning urea-formaldehyde foam insulation (Oct. 6, page 49140).

Environmental Protection Agency—Announces availability of manual for maintaining security of business information under Toxic Substances Control Act (Oct. 8, page 49942).

Publishes agenda of new and existing regulations currently under consideration (Oct. 30, page 53900).

Nuclear Regulatory Commission—Requests comments on several options for storage and disposal of thorium and uranium wastes; comments by Dec. 22 (Oct. 23, page 52061).

Prices and quantities of natural gas under different options

	1982	1984	1985	1990
Natural gas supply^a				
Current law (NGPA)	19.4	18.7	19.1	19.7
Extended controls	19.4	18.8	18.7	18.6
Full decontrol	19.7	19.4	19.3	19.2
Domestic wellhead prices^b				
Current law (NGPA)	\$2.27	\$2.61	\$4.45	\$5.53
Extended controls	2.27	2.61	2.91	4.35
Full decontrol	4.19	4.44	4.65	5.50
Delivered residential prices^b				
Current law (NGPA)	4.31	4.83	6.59	7.36
Extended controls	4.31	4.83	5.17	6.79
Full decontrol	6.13	6.39	6.62	7.51
Equivalent crude oil price^c	5.74	6.08	6.27	7.27

^a Trillion cu ft. ^b 1980 dollars per thousand cu ft. ^c 1980 dollars per thousand cu ft equivalents.
Source: Department of Energy

B. Edwards told the American Petroleum Institute recently that gas decontrol "would not have a significant impact on inflation or unemployment."

Not so, reply those groups opposing full decontrol. The initial spike of increases following decontrol would double prices, they say, creating economic chaos. Consumer groups have been very active in pointing out the possible problems of decontrol. The Energy Action Education Foundation contends decontrol would cost industry \$158 billion over the next four years, with prices rising to \$12.25 per thousand cu ft by 1985. The Citizen-Labor Coalition has predicted that decontrol could cause an increase of two to three points in the annual inflation rate and cost more than 3 million jobs.

Also not supporting decontrol are the gas distributors. The American Gas Association has decided to support current policies under NGPA. As a group representing the distributors that sell gas to residential and industrial users, AGA is concerned that they will not be able to pass large increases in costs on to users as the prices that distributors are allowed to charge are set by many state commissions.

As the largest industrial user of natural gas, the chemical industry has a healthy stake in the issue. It uses about 10% of all natural gas sold in the U.S., using 3% as feedstock for chemicals such as ammonia and fertilizer, and the other 7% for process fuel and other uses. Speaking for the chemical industry, the Chemical Manufacturers Association supports immediate full decontrol of gas. In a letter to Rep. Phil Gramm (D.-Tex.), who has introduced a bill to deregulate natural gas (H.R. 4390), CMA

says the industry is willing to accept the increased costs of decontrol because "decontrol is necessary to remove artificial competitive inequities and to obtain greater assurance of adequate future supplies."

There are international issues to be resolved with natural gas decontrol as well. The U.S. imports quite a bit of gas from Canada and Mexico, at a price that is lower than the U.S. price would be if gas were decontrolled. Imports could be expected to rise, but prices also could fall on imported gas following full decontrol. This also would open the way for higher imports of gas-based methanol from Canada and Mexico, according to some analysts. Also, there is the possibility of increased gas imports from the Soviet Union.

Europeans probably would like to see natural gas decontrolled as well. This would remove, in their view, the unfair price advantage the U.S. has had for some products, especially textiles, over the past several years. Such a change could reduce U.S. exports.

Whatever gains and losses would result from immediate gas decontrol, the chances that it will happen are getting smaller. Many Congressmen believe that the longer a strong effort on decontrol is put off, the less likely is passage of such a measure. If a bill is not passed by spring 1982, an election year, it will be difficult for lawmakers to decontrol gas in the summer and then to go back for re-election after having raised everyone's fuel costs. Most recent Administration plans described by Edwards call for accelerated decontrol to start in January 1983, with all price controls removed by Jan. 1, 1986.

David Hanson, Washington